SEACURUS BULLETIN

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MANAGING THE NEW BOX BREED

CRUISE SAFETY & SECURITY | SEAFARER RIGHTS | MARINE LIABILITY LIMITS

Inside this issue we explore the news and analysis currently shaping shipping. We assess the fundamentals of the 'pay-first' rule, the insurance implications of a major box casualty, yet another manning threat to the industry and piracy overtaking natural disasters on the high seas.

Content

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Container ship unloading in Vancouver, Ruth Hartnup

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Welcome

A warm welcome as ever to another monthly bulletin from Seacurus, as we look to bring you the news which is shaping shipping, but with some analysis too.

We look back on another busy month and some fascinating events which have continued to drive the market. Inside this issue we assess the fundamental building blocks of ransom payments, the "pay first" principle. We also explore the challenges of cruise ships and the implications for passenger safety and security as they shift from ship to shore.

We also look at the implications for insurers of not just the trend towards ever more mega box ships, but the fact that more containers mean a potential for rapidly escalated risks and pay outs if something goes wrong. The new breed of box ships is a boon for operators, but the challenges up and down the supply chain are beginning to be understood, and there are concerns.

Last month saw a rise of marine liability limits as the LLMC Protocol 1996 was revised. We bring you a review of the IMO steps to ensure that payments are in keeping with the expectations of the market. Also we look at the human rights of seafarers – not just from the perspective of work at sea, but the migrant issue too. Two new industry developments shed new light on the human angles, and the potential failings of the Maritime Labour Convention.

Finally we explore the latest Oceans Beyond Piracy report, and look at how it meshes with other research. The growth in Asian piracy, the chronic reporting of West African attacks and the fact that shipping is sailing closer to Somalia once more, and at slower speeds – suggests that piracy may again emerge as a key issue this year.

In view of all of these negatives, the fact that the shipping industry has the ability to embrace risks and to deliver cargoes in spite of them is what drives the business. In a high profile report last month it was asked, "war what it is good for" the answer it seems is shipping.

The rise of geopolitical conflicts around the globe could prove to be positive for shipping according to Leon Patitsas, founder and CEO of Atlas Maritime. "Whenever you have geopolitical conflicts the price of oil goes up and if the price goes price goes up substantially then people are going to want to buy more oil and they're going to want to build their strategic reserves."

For some the instability of nations means that the oceans often get overlooked. To answer this, there were calls for the "high seas" to be given a seat at the United Nations. According to a former Commander-in-Chief Fleet of the Royal Navy, Admiral Sir James Burnell-Nugent, now a senior fellow at US-based project Oceans Beyond Piracy, this would help to deal with issues such as piracy, overfishing and oil exploration outside national waters, as many problems in international waters continue to go unchecked. Admiral Burnell-Nugent, who was also Second Sea Lord, said events such as pirate attacks which happen "over the horizon" appeared to induce "sea blindness" in politicians. There is some sense to this suggestion – but alas it seems some way off.

In the meantime the business of shipping continues to push ahead – but with some market jitters to contend with. The ups and downs, peaks and troughs were likened to a form of personality disorder; such is the volatility and unpredictability. Shipping investors have to cope with violent swings of sentiment. Today tankers are enjoying a precarious euphoria, whilst bulkers embrace manic depression. A year ago it was the other way round. These sentiment swings are bad enough, but when you factor in the future things get even worse. The real concern for investors is what lies ahead. Somehow they must separate reality from sentiment and today that's tricky. Seaborne trade has recently been commendably positive, but like waves at sea, crises are just part of the shipping landscape. Knowing how to ride the waves is the key to making money.

While it may be hard to make money in such an unpredictable and capricious marketplace, at least there are some positives to emerge. It seems that the maritime industry is continuing to improve its safety record. According to an industry study, in 2014 there were 75 total shipping losses reported worldwide compared with 110 shipping losses in 2013.

The shipping losses declined by 32 per cent and this was driven by a robust regulatory environment according to a new industry report. The report also revealed that more than one-third of total losses in 2014 were in two maritime regions, namely South China, Indo China, Indonesia and the Philippines (17 losses), and Japan, Korea and North China (12 losses). These losses were caused by foundered (49 cases), wrecked or stranded (13) and fire or explosion (four).

Alas 2015, as you may recall, got off to a bad start – and there has been a continued roll call of groundings, losses and accidents. Hopefully whatever drove the improvement last year can be rekindled and we can stymie the safety problems from here on in.

We hope you find this monthly bulletin of use, and look forward to hearing your thoughts on any of the issues raised.

Managing Director
Capt. Thomas Brown

Why does Lloyd's of London not fund Ransom payments?

Like any business, the London insurance market is often subject to rumour and gossip; much of which is baseless. One market whisper has been causing rather more concern of late relates to allegations that a Lloyd's syndicate has abandoned the 'pay first' rule, the fundamental tenet which is integral to Marine Kidnap and Ransom insurance, and Marine insurance in general for that matter.

The report has now been denied by the syndicate in question, but it has caused much consternation and had many within the market raising collective eyebrows. Marine Kidnap and Ransom insurance has been around since 2007 and saw a stratospheric rise and, in the last couple of years, something of a steep drop. In an attempt to compete in this soft market, brokers, and sometimes the underwriters themselves, are talking-up additional services that particular insurers can offer to differentiate themselves from the numerous other players out there.

As a matter of UK insurance law and commercial insurance practice, Insurers based in the UK, are prevented from paying ransoms directly to pirates, kidnappers and other such criminals. The ransoms must first be settled by the assureds and only then reimbursed, or in the language of insurance Law, indemnified, to the assureds. In pulling the "pay first" rule, the whole status quo could be threatened, and there is a concern that hijackers/kidnappers would be in a position to spiral ransom demands upwards.

The "pay first" principle exists to ensure that the criminals have to set their demands to what the company/persons suffering the hijack can pay, not what the insurers could settle. So it provides some degree of realism when the worst does happen – and stops demands spiralling out of control. In essence the thought process is that a kidnapper should not benefit from the victim having insurance cover by being able to demand a ransom higher than the one the victim would have been able to pay themselves.

Indeed, if the victim (or their nearest and dearest) does not have insurance, then obviously any ransom payment cannot exceed the amount of funds and assets that those paying have access to. If the victim does have insurance and the insurer can pay the criminal directly, then the ransom cannot exceed the fund or assets that an insurance company has access to (and of course the policy limit). The latter case is likely to generate a much larger ransom payment and benefit the kidnapper.

The philosophy of the "pay first" rule is both obvious and simple, and is an important element in helping to stem ransom inflation. As such any undermining of the concept could spell disaster for those with neither insurance nor the funds to cover the increased ransom demands prevalent in the "market".

Another important public policy consideration when it comes to Kidnap and Ransom insurance is potential fraud. History and indeed Hollywood tells countless tales of cash-strapped individuals using insurance to right their financial problems. K&R insurance is an easy target for this. In cahoots with an obliging party, a fraudster fakes a kidnap: the insurance company pays out a ransom and fake victim and kidnappers divide the payment. However, such a fraud is made infinitely more difficult and less lucrative if the insurance company insists on the assured paying first. The first advantage is that a cash-strapped assured, or those close to him, are unlikely to have the funds to arrange the payment. The initial incentive to commit the fraud is thus often ruled out.

Also, however, the mechanics of committing the fraud become arguably significantly more complex, raising the risk to outweigh the potential return. For example, the factor to consider is that tying up your own money in a venture with someone willing to aid you in a crime carries with it the obvious pitfalls. Are the people who you trust to pretend to kidnap you the same kinds of people you would trust with your own money perhaps not.

A ransom drop of US $3 million was made to secure the release of the MV Sirius Star in 2009.

Leaving behind the moral and strictly pragmatic consideration to one side, there are also clear legal barriers to paying ransoms directly. The Marine Insurance Act 1906 begins with defining a contract of insurance in section 1 as "a contract whereby the insurer undertakes to indemnify the assured".

The word 'indemnify' must not be overlooked as it is "fundamental to the nature of a contract of marine insurance" : the central feature here is that the assured should have incurred a loss prior to seeking reimbursement. In fact, the foundation of many a concept in insurance law, such as the requirement for an insurance interest, for example, is the principle of indemnity. Even in P&I, often seen as liability insurance although it is not, contains the 'pay-to-be-paid' rule, thus assuring the indemnity principle is secure. The Clubs' payments are made to reimburse their members' out-of-pocket claims payments rather than pay the liability to a third party. All legislation curtailing this principle, such as the 1930 and 2010 Third Parties (Rights against Insurers) Acts, only deal with limited insolvency scenarios, which would otherwise be contrary to public policy. These acts also notably exclude Marine insurances to a large extent.

Lloyd's of London does not overlook the above factors and deals with reinforcing the concept of indemnity through its definition of the relevant risk code. Marine Kidnap and Ransom is covered under the Maritime Extortion risk code, 'KP'. The policies of insurance that fall within this risk code are those that come within the scope of the following definition: "reimbursement of costs associated with securing the release of marine hull or cargo following the illegal seizure of a vessel by persons meeting the description of pirates."

The definition is unequivocal in its use of the word 'reimbursement'. There is no other appropriate risk code for Piracy insurance and, hence, all those writing Piracy insurance must come within the KP risk code. Failing to follow the policy of 'reimbursement' would leave a Lloyd's insurance policy without a risk code or legitimacy.

The 'pay first' rule in any Marine Kidnap and Ransom policy is pivotal for a number of reasons, whether as mixture of public policy, law and regulation, but also from a practical perspective too. So while rumours of underwriters paying directory pervade the detrimental effect if they were to do so is clear. Not only would any such payments be contrary to many established principles, but for this class of insurance to remain viable, the "pay first" principle must be upheld by all, and it is vital that this is not eroded or undermined.

THE SOLUTION

Whilst an insurer cannot and should not fund the payment of ransoms, a Marine Kidnap & Ransom policy can be used as collateral for a bridging loan taken out by the assured to settle the ransom demand. The cost of such a loan should be covered by under 'Additional Expenses' of a typical market policy and the organisation and administration would be handled by the lawyers who deal with the claim. This solution preserves the necessary prohibition of the insurer paying direct, whilst making the settlement of a ransom free from hassle and expense for the assured.

CRUISE PASSENGERS FACING DOUBLE JEOPARDY

We were as horrified and shocked as most other observers as the true scale of the terrorist attacks on tourists sunbathing at a beachside hotel in Sousse began to emerge. As a suspected Islamist gunman went on a killing rampage along a packed beach, killing and injuring as he went, the scale of the carnage and the human tales were reported – and were truly terrifying.

Sadly though, while Tunisia's president said the attack was "worse than terrible" and while there are repeated and predictable calls for a unified international response to terrorist threats, it seems this sort of attack at the Imperial Marhaba hotel was perhaps all too predictable. Not least because a terrorist suicide bomb attack took place outside the Riadh Palm hotel in Sousse just last year.

We wrote back in April of the concerns of both foreign governments and the Tunisian Ministry of the Interior that there was a strong and credible threat of attacks on industrial and tourist sites.

TOURISTS AS TARGETS

In this context we were discussing whether cruise lines were perhaps foolhardy running excursions in Tunisia, when they were potentially putting passengers in danger. We asked then whether cruise lines are properly assessing the risk of attacks – and whether tour operators and tourists have access to sufficient information to make informed, sensible decisions.

Cruise operators have a duty of care for the passengers on board the vessel and while it is part of the cruise "experience" to go ashore on organised trips, it is becoming increasingly clear that work is needed to ensure that risks are properly assessed and understood.

There needs to be a greater emphasis and impetus behind cruise lines analysing risks effectively and of guiding passengers accordingly. The trust and blind faith that passengers can sometimes display means that the duty of care which cruise operators have to extend to their passengers runs ever deeper.

Cruise passengers don't sneak into town quietly. The gigantic ships sailing into port on set schedules unavoidably broadcast their arrival as they disgorge their human cargo. The disembarkation of large excursion groups is by no means discreet, and this heightens the potential risks.

This inability to tour a destination unnoticed puts cruisers at risk of being targets of crime. This is like a conveyor belt of targets for terrorists and criminals alike. Robbery, pickpocketing and scams abound where tourists emerge. The media often report on bigger incidents, such as the gunpoint robberies of cruise-line shore excursion groups in St. Kitts, Mexico and the Bahamas, but smaller, unpublicized crimes happen every day to cruise travellers, who are seen as easy targets.

PROFITS OR PEOPLE?

US cruise lawyer Jim Walker, believes the problem is that cruise lines are continuing to "put profits before passenger protection". He believes that cruise lines take passengers to dangerous ports because they profit handsomely from selling cruises, irrespective of the dangers in the port.

He stresses that cruise lines tell their passengers they should use official tours marketed and sold by the cruise lines, including bus excursions. Despite the fact that being on a bus with other cruise passengers greatly increases the risk of being targets of crime and violence.

Walkers states that, "tour buses in the Caribbean, for example, have been targeted by criminals with all cruise passengers aboard robbed. Being on a tour bus filled with Europeans or US citizens in a North African port is dangerous".

Speaking at the recent "Cruise Shipping Miami" show, NCL's Frank Del Rio spoke that 'Libya, Syria, Egypt and Lebanon" are potentially hugely lucrative cruising grounds for the company. This may well be true, but at what cost and risk of passenger safety. With ISIS posing such a volatile and violent threat, it seems that the model needs a rethink.

NOT JUST SECURITY

While it maybe all too easy to focus purely on security related issues – it is not the biggest threat to passengers.

Safety, is the quieter, but perhaps more pervading issue. Cruise lines using local tour operators need to be sure that they operate to the highest, internationally agreed standards.

Where these standards slip or where the excursions involve potentially risky activities, then that is where accidents happen. A fact which was starkly stressed last month when nine people aboard an excursion plane from the Holland America Line vessel "Westerdam", crashed in Alaska.

Eight passengers and the pilot were killed when the plane crashed against the granite rock face of a southeast Alaska cliff during a tour of the Misty Fjords area of southeast Alaska.

The DeHavilland DHC-3 Otter turboprop crashed under unknown circumstances and investigation were still ongoing at the time of writing, and it may have been an unavoidable accident. But where passengers are booking tours through the cruise line, then there are potential liability issues which the carrier may well be held to account for.

MANAGING THE NEW BREED OF BOX GIANTS

A unit of the Organisation for Economic Co-Operation and Development (OECD) and the World Shipping Council (WSC) have differed in their opinions on larger containerships and their effects on ports and costs.

While the International Transport Forum (ITF) in a recent report said it believes that costs are rising as mega-containerships contribute to port congestion and add to the need for costly infrastructure upgrades, the WSC argues that larger vessels reduce the fuel, and therefore cost, of shipping per container. ITF calculations claim that the cost savings from this generation of size upgrades is less than expected.

CART BEFORE THE HORSE

For some, the whole giant building frenzy is something of a "cart before the horse" exercise. Michael Grey last month commented on the fact that historically when a shipowner specified a new vessel, along with the deadweight and dimensions, service speed and fuel consumption, one of the guiding parameters would be the capacity of the ports to which it was expected to trade.

He stressed that if a range of ports had a maximum depth of 10m in the channel, it was pointless ordering a ship that would require 15m to float safely. The owner was guided by the physical constraints of the ports to which he was going to trade. Which perhaps seems all too sensible.

That was then, and this is now, he lamented. Today owners order the ship they want and then demands ports to dredge to the depth they want. The giant ship tail is wagging the port dog.

NO SLOWING THE BOOM

Despite doubts and disagreements over profitability, congestion and the ability of ports to cope, there is no slowing the building trend. However, the concerns are also being watched by insurers.

As we recently reported, there are increasingly concerns within the marine insurance market about the cost implications of covering ever growing ultra-large container vessels (ULCVs). Vessels which are not only hugely valuable in their own right, but which are able to carry huge cargo values.

The International Union of Marine Insurance (IUMI) believes there are also worries about the integrity of vessel structures and the ability of salvors to respond in case of an incident.

It was reported earlier this year that having to cover the loss of an ultra-large containership could be a "nightmare" for insurers, especially as even the loss of the half-full 8,000 TEU MOL Comfort in 2013 cost insurers $523 million.

Experts have previously speculated that the capacity size of containerships will be capped when the marine insurance industry finally balks at the potential losses.

Following the recent order by Maersk Line of eleven 19,630 TEU vessels, it appears that plans are under development for the next jump in container ship sizes.

BIG GETTING BIGGER

Last month Maersk Line became the latest box carrier to order 20,000 twenty-foot equivalent unit (TEU) capacity vessels, as the trend for massive growth continued.

Indeed, with his eyes cast into the box line crystal ball, Maersk's CEO Soren Skou earlier this year said capacities of 25,000 TEU were possible. Rumours that China Ocean Shipping Company (COSCO) is making an order for several 20,000 TEU containerships have been confirmed by brokers, according to a number of media reports.

The reports indicate that COSCO have ordered nine of the mega-boxships across three yards, with options for four more. Four of the ships will be built by Shanghai Waigaoqiao Shipbuilding, three will be built by Nantong Cosco KHI Ship Engineering, and the remaining two will be built by Dalian Shipbuilding Industry Co (DSIC).

COSCO has not yet commented publicly on the matter. It has been noted that the deal will elevate COSCO above 1 million slots for the first time.

NEW RULES NEEDED

The growth of these mega box ships has not only been a concern for insurers, the International Association of Classifications Societies (IACS) has been keeping a very close eye on developments too. This has prompted IACS to announce the adoption of new rules to further improve the safety of Large Container Ships by enhancing consistency between pre-existing Class Society requirements.

The new rules are combined within a single new Unified Requirement, known as UR S11A, and includes three new safety measures.

In brief these cover:

- "Bi-axial stresses", such as those induced by lateral loading, i.e. external pressure on the bottom shell and this will now be recognized in the new IACS Longitudinal Strength Standard for Container Ships, known as Unified Requirement S11A which will enter into force on 1 July 2016.

- The whipping effect on container ships: Although this phenomenon continues to be the subject of research, the effects are becoming better understood and the development of the IACS Unified Requirements for the whipping component of hull girder loading is seen as a significant step forward. The new Unified Requirement S11A requires IACS Members to take into account whipping in accordance with their individual procedures. Entry into force is also set for 1 July 2016.

- A revised wave bending magnitude and longitudinal distribution has been included in the development of the new Unified Requirement S11A, with full details to be made available on the IACS website shortly.

- Additionally, UR S34 will set consistent requirements among IACS members by defining the unified minimum load cases used while performing strength assessment of container ships by Finite Element (FE) analysis.

As with so much change in shipping, the evolution of these rules has come as a result of an accident. Once again the 2012 "MOL Comfort" disaster in the Indian Ocean has acted as a catalyst for change.

According to IACS, the new rules provide a "robust, timely and complete response" to the findings of the investigation by Japan's Ministry of Land, Infrastructure, Transport and Tourism (MLIT) and subsequent papers to the IMO relating to the loss of the "MOL Comfort".

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HELPING SEAFARERS UNDERSTAND THEIR RIGHTS

You wait centuries for a focus on the human rights of seafarers and then two developments come along at once.

The Human Rights at Sea (HRAS) organisation last month published a new international and independent guidance for shipowners, crew and private maritime security guards titled: "Deprivation of Liberty at Sea."

The guidance, published jointly by Human Rights at Sea (HRAS) and the Network of Experts on the Legal Aspects of Maritime Safety and Security (MARSAFENET) and financed through the European Union COST Action IS1105, is the first independently drafted international document covering deprivation of liberty (DoL) by ship masters, crew and private maritime security personnel.

The guidance, complements existing guidelines on fair treatment of seafarers in the event of a maritime accident as adopted by the IMO. It aims to become a leading soft law instrument voluntarily applied by relevant actors in the shipping, fishing and security industries.

NEW GUIDING PRINCIPLES

Outlined are a succinct set of principles and detailed guidance for safeguarding a criminal suspect's human rights at sea. It additionally contains checklists in relation to the lawful deprivation of liberty of suspected criminals at sea covering both the pre-transit planning and in-transit actions.

There is a growing likelihood that masters will have to deal with criminal offences committed at sea, with increasingly smaller crews and against a background of potential legal actions conducted against seafarers for unlawful deprivation of liberty, says David Hammond Founder of HRAS. The issue is highly relevant in piracy prone areas and areas with large migrant movements, like the Mediterranean and the Andaman Sea, where masters are likely to be confronted with suspected human traffickers.

The guidance is a reference for all interested parties in support of decisive and lawful decision-making, says Hammond. "This first edition of the Deprivation of Liberty at Sea Guidance has been the result of six months' work involving significant research and stakeholder input.

Working alongside European colleagues, Human Rights at Sea is proud to be able to deliver a new and relevant maritime human rights reference document in partnership with EU MARSAFENET."

FOR THE BENEFIT OF ALL

HRAS and MARSAFENET have determined that the voluntary guidance should be made freely available for the international public benefit in line with the charitable focus of HRAS and the open access policy pursued by MARSAFENET. Any entity using the document in whole, in part or in concept must fully attribute its use to HRAS and MARSAFENET. HRAS retains full IP and copyright over the work and the associated HRAS Deprivation of Liberty at Sea concept.

The guidance is part of the HRAS "Unlocking the issue" campaign to raise global awareness of maritime human rights and constitutes a milestone in MARSAFENET's quest to transfer scientific findings into concrete normative and policy solutions.

The Deprivation of Liberty report is available to download from the Human Rights at Sea website under Publications:

https://www.humanrightsatsea.org/deprivation-of-liberty-at-sea-international-guidance/

MANAGING MIGRANTS

The guidance comes at an important and potentially significant time, as the global maritime irregular migrant problem seems to be taking on an even more ugly and sinister face.

Indeed HRAS has recognised that a new threat to seafarers is emerging, as the increased likelihood that vessels are likely to be taking criminals or militants on board as seafarers work to rescue migrants from unseaworthy, overcrowded vessels in the Mediterranean and in Asia.

Being able to safely, ethically, legally and effectively deal with those who are rescued and brought onto the vessel is vital, and both companies and masters will no doubt find solace in the HRAS document, as it allows them to act as necessary, while paying due regard to the human rights of those being rescued.

SEAFARERS RIGHTS

Other organisations which are looking at the issue of human rights, though from a different angle are Seafarers' Rights International (SRI) and the ITF. They marked the Day of the Seafarer last month by launching a series of short films to help seafarers understand their rights under the Maritime Labour Convention 2006 (MLC).

Produced by SRI, the animated films were commissioned by the ITF and funded by the ITF Seafarers' Trust. The first three films are an overview of the MLC, Seafarer's employment agreement and guidance on how to complain.

Deirdre Fitzpatrick, SRI executive director, commented:

"Seafarers can sometimes consider their rights to be illusory and it is important that the MLC is seen to be of practical relevance to working seafarers. We hope that the films will enable seafarers to understand better the relevance of the MLC and how it can improve their working lives in a real sense."

David Heindel, chair of the ITF seafarers' section, said:

"As we approach the second anniversary of the entry into force of the MLC, it becomes more critical for the success of the MLC that seafarers are aware of their rights under the convention, and how it can be relied on by them. The convention was the culmination of a lengthy tripartite effort, and it is essential that the result of this cooperation now reaches every seafarer who can benefit from its provisions."

Jacqueline Smith, ITF maritime coordinator, added:

"The films are an important educational tool to explain the MLC. We encourage all seafarers to use them and to contact ITF inspectors worldwide so that they can understand and enforce their critical rights under the MLC."

MARINE LIABILITY LIMITS INCREASED

According to a briefing from the International Maritime Organization (IMO) amendments to increase the limits of liability in the 1996 Protocol to amend the Convention on Limitation of Liability for Maritime Claims, 1976 (LLMC Protocol 1996) entered into force 8 June 2015), raising the amount claimable for loss of life or personal injury on ships (not exceeding 2,000 gross tonnage) to 3.02 million Special Drawing Rights (SDR), up from 2 million SDR (additional amounts are claimable on larger ships).

TYPES OF CLAIMS

The 1976 LLMC Convention sets specified limits of liability for certain types of claims against shipowners: - Claims for loss of life or personal injury, and - Other claims, such as property claims (including damage to other ships, property or harbour works), delay, bunker spills, pollution damage, etc.

The Convention also allows for shipowners and salvors to limit their liability except if "it is proved that the loss resulted from his personal act or omission, committed with the intent to cause such loss, or recklessly and with knowledge that such loss would probably result".

Taking into account the experience of historic claims, as well as the impact of inflation rates, the limits in the LLMC Protocol 1996 were raised and subsequently adopted in 2012 by IMO's Legal Committee when it met for its 99th session, following a proposal to increase the limits submitted by 20 State Parties to the LLMC Protocol.

The LLMC Protocol has 50 Contracting States, which between them represent 57.41% of the world merchant shipping tonnage (as at 8 June 2015).

NEW LIMITS

The amendments to the LLMC Protocol 1996 raise the limits as follows:

The limit of liability for claims for loss of life or personal injury on ships not exceeding 2,000 gross tonnage is 3.02 million Special Drawing Rights (SDR) (up from 2 million SDR).

For larger ships, the following additional amounts are used in calculating the limitation amount:
- For each ton from 2,001 to 30,000 tons, 1,208 SDR (up from 800 SDR)
- For each ton from 30,001 to 70,000 tons, 906 SDR (up from 600 SDR)
- For each ton in excess of 70,000, 604 SDR (up from 400 SDR).

The limit of liability for property claims for ships not exceeding 2,000 gross tonnage is 1.51 million SDR (up from 1 million SDR).

For larger ships, the following additional amounts are used in calculating the limitation amount:
- For each ton from 2,001 to 30,000 tons, 604 SDR (up from 400 SDR)
- For each ton from 30,001 to 70,000 tons, 453 SDR (up from 300 SDR)
- For each ton in excess of 70,000 tons, 302 SDR (up from 200 SDR)

Special Drawing Rights: The daily conversion rates for Special Drawing Rights (SDRs) can be found on the International Monetary Fund (IMF) website: http://www.imf.org/)

In most cases, existing cover with P&I Clubs will meet the new requirements, and it is the view that shipowners will continue to rely on their existing certificate of insurance. However a number of States are stressing that shipowners should check their current insurance against the new limitation of liability for their ships, as any discrepancies will cause potentially serious issues.

Major Shortage of Officers Predicted

While there is a growing concern and focus on the human rights of seafarers it seems that more work needs to go into making sure we have a supply of them into the future.

According to a new study, the international shipping industry will require an additional 42,500 officers by the end of 2019 to cope with the expected growth in the main cargo carrying fleet.

The latest Manning report published by global shipping consultancy Drewry claims this is equivalent to a staggering 7% growth over the five year period. However, thankfully there is some progress as the persistent shortage of officers is receding in the immediate timeframe.

Current officer supply is in the order of 615,000 and a nominal shortfall of approximately 15,000 officers, which is expected to remain the case until 2019. In the meantime, this shortfall is made up by officers working longer shift patterns, Drewry says.

An approach which doesn't perhaps seem much of answer - the logic of having to work existing seafarers harder and longer because you can't find or keep enough of them does not seem a sustainable or sensible approach.

TACTICAL APPROACH

Such reports give a vital strategic vision of the route ahead – but for many owners, operators and managers they are only able to focus on the tactical, more immediate level. For this reason a new initiative from InterManager, the international trade association for in-house and third party ship managers, could provide some extremely important data.

The study has set its sights on examining two key areas which could have significant benefits for the shipping industry. First in its list of priorities is an investigation of minimum manning levels for different types of vessels trading on different trade routes and carrying different cargo types to determine whether and how these need to be reviewed, better understood for their implications to safety and efficiency and then discussed at flag state level to take into account required rest hours as set under the Maritime Labour Convention (MLC).

CALLING ALL SHEFARERS

While it is good to have a short, medium and long term view, perhaps a parallel solution would be to try and tap into the 50% of the population who don't ever really get a look in at sea, yes, we are talking females at sea.

So why are so few seafarers female, or 'shefarers' as they have been dubbed? This is problem researchers at Southampton Solent University will be asking after receiving £70,000 funding to find out why there are not more women following a career at sea.

At the moment only two per cent of the world's seafarers are female and of these women 94 per cent work either on cruise ships or passenger ferries. The research is funded by the ITF Seafarers' Trust whose head, Kimberly Karlshoej, said: "With only a tiny percentage of the seagoing workforce made up of women, identifying and properly exploring these factors is urgently needed."

That 2% of the world's 1.5Million seafarers would equate to just 30 thousand women working at sea. So out of the 3 Billion or so females on this planet of ours, just a few tens of thousand are seafarers. That is just staggering, and suggests that finding the answers to making women want to work at sea is the answer but even then it would take a monumental jump in the numbers within the next 4 years to dent the shortage.

ABANDONED AND STRANDED

Perhaps some of the recruitment and retention issues relate to the fact that even today, under the shining shield of the Maritime Labour Convention (MLC), there are still all too many awful tales of seafarers being abandoned by owners.

Just last month it was reported that 13 Indonesian, Filipino and Romanian workers have been stranded in Newport Docks, South Wales for nearly four months after authorities seized their ship due to unpaid debts.
The crew of Italian cargo ship "Sunflower E", who haven't been paid in more than four months, said they are desperate to go home and see their families. Speaking to the press they said they had no hot water and their fridge had broken, and they only had enough fuel to last the week.

They have been supplied with food and water by the International Transport Workers Federation (ITF), but concerns have been raised about the "deteriorating conditions" onboard.

CALLS TO COMPLAIN

Indeed, despite the roll out of MLC, the issue of unpaid wages constituted the second largest number of calls to a UK-based seafarer helpline last year. In a breakdown of calls to Seafarerhelp, calls about unpaid wages totalled 394 reports. Cases of unpaid wages are always referred by ISWAN to the International Transport Workers Federation (ITF) for follow up.

According to the ITF, the union had assisted in a total of 1,589 cases of owed wages in 2014, and had "recovered USD 59,372,806 in back pay for the seafarers involved"

PIRACY OVERTAKES NATURAL DISASTERS

Last month saw a flurry of not only piracy attacks, but new reports, analysis and data.

For the first time it was reported that piracy overtook natural disasters as the leading cause for insurance claims in ASEAN. Though there was also a rise in fraudulent or "inside job" piracy claims. Such insiders may be "members of the crew or even shipping companies themselves," said a marine underwriter at a major insurance company, speaking under condition of anonymity.

Piracy is seeing a massive resurgence in the Straits of Malacca and across Asia. But there are calls for a better understanding of the constituent parts of piracy – when are pirates mere criminals?

WHAT'S IN A NAME

It is important to distinguish between armed robbery and piracy when reporting incidents in South East Asia waters says the Singapore Shipping Association (SSA). The findings reveal that in the first quarter of this year the vast majority of incidents in this region fall under the category of armed robbery (within the territorial waters and under the jurisdiction of the sovereign state) not piracy (on the high seas).

Such distinction is not only important from a record keeping perspective, but for reporting too. Indeed, whether on the high seas or in territorial waters determines whether a merchant vessel can seek protection from the navy/coast guard of the littoral state or from the navy/coastguard of the vessel's flag of registry.

CHRONIC UNDER-REPORTING

Last month saw the fifth annual report from the Oceans Beyond Piracy (OBP), detailing the economic and human costs of maritime piracy. OBP's fifth annual State of Maritime Piracy Report, analyses the impacts of maritime piracy in the Western Indian Ocean, the Gulf of Guinea, and Southeast Asia during 2014.

LOOKING EAST

OBP did also tackle the issue of Southeast Asian piracy, which they deemed to be "especially dangerous for seafarers". This was based on the quantity of attacks that took place in 2014, and the fact that pirates had a 90 percent success rate in boarding targeted vessels in the region.

OBP says that nearly 3,600 seafarers were on board vessels boarded by pirates in Southeast Asia, and 800 seafarers were involved in incidents where violence or the threat of violence was specifically documented.

U.S. Navy photo by Mass Communication Specialist 1st Class Krishna M. Jackson/Released

PROVING A POINT

As if to further hammer home the OBP point about the levels of attack and the danger posed to seafarers. Last month three ships underway in the eastbound lane of the Straits of Malacca and Singapore (SOMS) were attacked by pirates within a three hour window early June 17.

The incidents occurred within a 10 nautical mile zone around Pulau Takong Kecil in Indonesia between 2:30 am and 5:30 am. The first two vessels attacked, the "Densa Shark", a Brazil-registered bulk carrier and the "Pro Triumph" a Norway registered LNG tanker quickly raised the alarm. The crews conducted searches and found nothing missing and no perpetrators onboard.

In May 2015, a total of 20 incidents were reported in Asia, of which two were acts of piracy and 18 were incidents of robbery onboard ship. From January 2015 till May 2015, a total of 80 incidents had been reported, comprising 75 actual incidents and five attempted incidents.

This accounts for an increase of 19% in the number of incidents compared to the same period in 2014. Notably, January-May 2015 recorded the highest number of actual incidents among the five-year reporting period, indicating that more incidents had occurred in 2015; and these were mostly incidents reported in the Straits of Malacca and Singapore (SOMS).

LOOKING AT BEST MANAGEMENT

While there was the high profile successful hijacking of the vessel "Orkim Harmony" - As a result of more and increasingly intensive and successful attacks on tankers in Southeast Asia, International Marine Transportation (IMT), Exxon Mobil's UK-based shipping affiliate, is to start conducting Best Management Practices 4 (BMP4) audits for vessels transiting through the area.

BMP4 has been effective in hardening vessels transiting through the Indian Ocean so that even an unarmed vessel is now much harder to capture. BMP4 been designed for the Indian Ocean and long distance ocean passages, therefore it needs to be tailored to the conditions of Southeast Asia, which involve voyages with short sea legs between ports.

GoG IN FOCUS

Moving away from the Asian iteration of piracy, OBP stressed concerns about what they term "chronic under-reporting of piracy" in the area. The region faces a variety of challenges related to chronic under-reporting of incidents and an absence of prosecutions.

"We have observed that up to 70 percent of piracy-related incidents in the Gulf of Guinea are never reported, so we currently lack a complete understanding of the problem," says Pottengal Mukundan, Director of the International Maritime Bureau. "This also makes it difficult to assess the extent of the threats seafarers face in this region."

It was also reported that African leaders will meet later this year in Togo to discuss drawing up a continental charter against maritime piracy. Heads of state and government from the African Union would be in the capital Lomé in November to discuss the problem.

"The Lomé summit aims at defining a common strategy against maritime insecurity in Africa," a statement read. "At least 205 attacks on ships were registered in the Gulf of Guinea between 2005 and May 2015. Togo's coasts saw eight attacks, of which seven were foiled by the country's navy."

INDIAN OCEAN CONCERNS

A perceived decline in the piracy threat is leading some vessels to reduce risk mitigation measures, leaving them vulnerable to attack, according to OBP. While another report claims vessels have gradually returned to travelling along the shortest route closer to Somalia. Not only that, but they are sailing at normal speeds in the area once more.

This is according to a report by the European Commission's in-house science service, the Joint Research Centre (JRC). This has a positive impact on fuel consumption and maritime transport costs, up until another vessel is hijacked of course, then the practise looks a little foolhardy to say the least.

The JRC report used historical Long Range Identification and Tracking (LRIT) data of States participating in the EU LRIT Cooperative Data Centre provided through the European Maritime Safety Agency (EMSA). It is the first time that LRIT data have been used and analysed to demonstrate that routes and speed have changed.

These findings expose a worrying trend for vessels to drop their guard and run a heightened risk of attack. This is also especially concerning after reports that Kenya is releasing a steady and significant stream of convicted Somali pirates. The fact that so many once active pirates are returning to their homes is a concern, but even more so is the fact that actually so little has been done to keep them from re-offending.

It will be interesting to see whether these pirates are able to return to fishing or whether they will once again be tempted into a piracy by the lure of vessels coming into their waters with little or no protection in place.

NEWS ROUNDUP

THE OTHER KEY STORIES WHICH CAUGHT OUR EYE LAST MONTH

Port State Restates Commitment: The 48th Committee meeting of the Paris Memorandum of Understanding on Port State Control ("Paris MoU") agreed on the inspection campaign for the Maritime Labour Convention ("MLC") in 2016. The Committee expressed concern that during the CIC on STCW hours of rest, carried out between 1 September and 30 November 2014, 912 deficiencies were recorded related specifically to STCW hours of rest and that 16 ships were detained as a result of the CIC. The mission of the Paris MoU is to eliminate the operation of substandard merchant ships in the region. http://goo.gl/337JI9

Hebei Spirit Claims to be Paid: The International Oil Pollution Compensation (IOPC) Funds will begin paying compensation for damages relating to the Hebei Spirit oil spill, South Korea's Ministry of Oceans and Fisheries (MOF) announced. On 7 December 2007, Hebei Spirit, a Hebei Ocean Shipping Company-owned VLCC carrying 260,000 tonnes of oil, was anchored in South Korea's Daesan port when a Samsung Heavy Industries-owned crane barge, being towed by a tug, came into contact with it. The barge had broken free from the tug. The incident resulted in three of Hebei Spirit's five tanks being punctured, spilling 10,800 tonnes of oil. http://goo.gl/elUaTD

Plague of Laws and Legislation: The influential Greek Shipping Cooperation Committee (GSCC) has attacked the plague "of new laws and legislation that, whilst well-meaning, do not actually better the lot of the seafarer, the environment or the shipping industry in general". Chairman of the London-based GSCC, Haralambos Fafalios has gone so far as to describe the Ballast Water Management Convention as "a deeply flawed IMO convention". He also said system makers do not understand the limitations. Fafalios said that "despite the plethora of IMO approved systems, it has become apparent many existing vessels have neither the space nor the electrical generator power to support the BWT retrofits". http://goo.gl/YlgFmZ

Massive Fears of Carbon Rise: The carbon emissions from international maritime shipping could increase by 250% in the period to 2050 if it left unchecked, an assessment by the International Maritime Organisation (IMO) has revealed. The present carbon emissions from maritime shipping represents up to 2.2% of the global total. According to GSF secretary general Chris Welsh, the shippers' views need to be considered as the IMO puts efforts to reduce emissions and the EU begins to review the technical details of its proposed MRV regulation. "Shipping already offers a high carbon efficient mode for transporting goods, carrying approximately 90% of all world trade." http://goo.gl/0KaR4r

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Walmart Forced to Shake Shipping: At Walmart's annual meeting shareholders will vote on a measure that would force the company to reckon with one of the biggest sources of climate pollution in its vast global operations: shipping. No company moves as much stuff across the world's oceans as Walmart does. A decade ago, Walmart began promoting itself as a sustainability leader. And, yet, in all the years since, the company has been silent about the environmental impacts of its massive shipping operations. It's as though this core part of its business doesn't exist. In fact, when Walmart reports its greenhouse gas emissions each year, it omits the pollution generated by shipping. http://goo.gl/LFJbgI

Dangerous ECDIS Delays: The next mandatory deadline for installation of digital bridge technology is at the end of this month and there is concern that owners are still not acting in time to be compliant, despite earlier warnings. The IMO has set out a rolling set of deadlines whereby all ships will have at least one system installed on board by mid-2019 at the latest. It is a rolling deadline, with the next one on July 1 applying to all tankers over 3,000 GT and built before July 1, 2012. Any tanker built after that date, and all newbuilding deliveries, need to have at least one ECDIS on board. According to its data only 54% of more than 8,750 relevant tankers are using ECDIS. http://goo.gl/ghEL6Z

New Port State Report: The Paris MoU on Port State Control has published its updated "White, Grey and Black (WGB) List" for 2014, ranking flag states from quality flags to flags with a poor performance record that are considered high or very high risk. The list is based on the total number of inspections and detentions over a 3-year rolling period for flags with at least 30 inspections in the period. On the "White, Grey and Black list" for 2014, a total number of 72 flags are listed, including 43 on the "White List", 19 on the "Grey List" and 10 on the "Black list". For the third year in a row, France has placed the highest on the White List, representing quality flags. http://goo.gl/MZK5EB

Disease Effects Shipping: South Korea's current outbreak of Middle East Respiratory Syndrome (MERS) has been the focus of much international attention. The local impact of the outbreak has been severe, leading to nearly 3,000 schools being closed and over 5,500 people being quarantined. The virus has so far infected over 150 people in the country and the World Health Organization (WHO) anticipates that cases will continue to surface despite indications that the outbreak is now being brought under control. http://goo.gl/eUNfCw

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IMO Launches New Gas Rules: New rules governing the use of gas as a fuel on ships will come into force in 2017 after the IMO adopted them last week. The International Code of Safety for Ships using Gases or other Low-flashpoint Fuels (IGF Code) was adopted with amendments made to the International Convention for the Safety of Life at Sea to make the code mandatory. The changes come as the use of LNG as a marine fuel is gathering pace, and regulators move to ensure the safe adoption of the fuel, which is stored at extremely low temperatures, along with other low-flashpoint fuels. http://goo.gl/ifi86V

War Risk Cash for Yemen Trips: The deteriorating political and security situation in Yemen has prompted the Philippine Overseas Employment Administration governing board to declare it as war risk trading area for seafarers. "The POEA, after consultation with its social partners, determines war risk trading areas and ports under warlike operations, and the amount of premium pay to which seafarers shall be entitled when sailing in these areas and ports," said Labor secretary Rosalinda Baldoz, who is also the chairperson of the POEA Governing Board. The resolution states that Filipino seafarers sailing in Yemen Ports shall now be entitled to premium pay. http://goo.gl/q8Ej2N

Marshall Islands Caught in Climate Storm: Far out in the Pacific Ocean, the tiny Republic of the Marshall Islands has taken on a vital role in international shipping, with its flag flying over the third-largest number of ships in the world. So when the nation's foreign minister showed up at a recent meeting of the IMO and proposed limiting the amount of climate-warming gases that the shipping industry could emit, he caused a stir. "It's a matter of survival for us," Tony de Brum, the minister said. The Marshall Islands consist of low-lying coral atolls that could be swamped by rising sea levels associated with climate change. http://goo.gl/RHeD6e

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BIMCO Takes Over KPI Project: BIMCO has today announced that it has taken ownership of the unique Shipping KPI System that allows shipowners and managers to compare their ships' efficiency against the performance of the industry and sector averages. The KPI System is unique because it is based on a standard of 64 different performance indicators (such as ship unavailability and number of environmental related deficiencies) to allow the most specific and accurate comparison of ships – within each sector and more broadly across the industry – that is currently available. The data collected is anonymised, so it does not compromise commercially sensitive information. http://goo.gl/DqucDA

Social Impact of Shipping: The European Social Partners for Maritime Transport – the European Community Shipowners' Associations (ECSA) and the European Transport Workers' Federation (ETF) – have expressed common views on social-related key issues, such as working and living conditions onboard ships or measures to stimulate seafarers' recruitment and employment. There is a need to strengthen the attractiveness of the EU shipping industry, which is an important source of jobs, both onboard ships – for ratings and officers – and onshore (directly and indirectly), and lifelong career prospects in the maritime industry and maritime clusters are needed. http://goo.gl/ZryCCg

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